McCurry Restaurant (KL) Sdn Bhd v McDonalds Corporation

COURT OF APPEAL (PUTRAJAYA) — CIVIL APPEAL NO W-02–1037 OF 2006
GOPAL SRI RAM, HELILIAH AND SULONG MATJERAIE JJCA
27 APRIL 2009

Tort — Passing off — Name of business — Whether plaintiff had monopoly in use of the prefix 'Mc' on signage or in conduct of its business — Whether defendant had sought to obtain unfair advantage from using the prefix 'Mc' — Whether there was judicial appreciation of evidence by trial judge

The plaintiff/respondent ('plaintiff') was a fast food franchisor with outlets all over the globe. The defendant/appellant ('defendant') in turn, ran a fast food outlet which offered Indian and other local Malaysian cuisine. It did not serve any of the kind of food available at the plaintiff's outlets. The plaintiff instituted an action against the defendant for passing off the plaintiff's business as its own. In its claim the plaintiff pleaded that the defendant had copied and adopted the plaintiff's distinctive 'Mc' identifier for its own food and beverage outlet. The trial judge found for the plaintiff and held that customers familiar with the McDonald's trademark would logically assume that the 'Mc' in the defendant's McCurry restaurant was 'associated in some way to the plaintiff or was an extension of the plaintiff's current range of products and services'. In arriving at this conclusion the trial judge appeared to have been influenced by the decision *In the Matter of an Application No 1412458 to register the Mark McIndians* (the *McIndian* case) that involved the registration of the McIndian mark and which decided that McIndian could be confusingly similar to the McDonald's family of marks all employing the prefix 'Mc'. Dissatisfied with the decision of the High Court, the defendant proceeded with this appeal. The main issue to be considered in this appeal was whether the trial judge had judicially appreciated the evidence when she held that the use of the word 'McCurry' by the defendant amounted to a passing off by it of the plaintiff's trade name to which goodwill is attached.

Held, allowing the appeal with costs:

(1) Firstly the defendant's presentation of its business was in a style and get-up which was distinctively different from that of the plaintiff. Secondly, the items of food available at the plaintiff's outlet all carry the

prefix 'Mc' but none of the food items served in the defendant's restaurant carry the prefix 'Mc'. Thirdly the type of food available in the plaintiff's outlet and the defendant's restaurant were very different, in that the former served fast food whereas the latter catered only typically Indian and local food. In this respect the instant case was different from the *McIndian* case that was relied upon by the trial judge. McIndian not only sold Indian food but also Southern fried chicken, cheeseburgers, French fries and shakes which are the very items that McDonalds also sell. In the circumstances, the trial judge's omission to distinguish the facts of the *McIndian* case from the instant case constituted a serious misdirection which had resulted in a miscarriage of justice. Fourthly the type of customers who patronise the plaintiff's outlets were very different from those who eat in the defendant's outlet. As such the irresistible inference to be drawn from the totality of the evidence was that the defendant's signboard could not result in reasonable persons associating McCurry with the plaintiff's mark (see para 12).

(2) The trial judge erred in assuming that the respondent had a monopoly in the use of the prefix 'Mc' on a signage or in the conduct of business. The fact that the defendant chose the name McCurry could not by itself lead to the inference that it sought to obtain an unfair advantage from the usage of the prefix 'Mc'. In addition the defendant had not offered to its customers items that were labeled either the same or similar to those sold by the plaintiff. Thus, the trial judge misdirected herself on the proper inferences to be drawn from proved and admitted facts and there was no judicial appreciation of the most important pieces of evidence (see paras 14-16).

[Bahasa Malaysia summary

Plaintif/responden ('plaintif') adalah sebuah francaisor makanan segera dengan rangkaian kedai makanan di seluruh dunia. Defendan/perayu ('defendan') pula adalah sebuah kedai makanan segera yang menawarkan masakan India dan lain-lain masakan tempatan Malaysia. Ia tidak menghidangkan mana-mana jenis makanan boleh didapati di rangkaian kedai plaintif. Plaintif mulakan satu tindakan terhadap defendan untuk kelirupaan perniagaan plaintif sebagai perniagaannya sendiri. Dalam tuntutannya plaintif memplidkan bahawa defendan telah meniru dan menggunakan pengecam 'Mc' tersendiri plaintif untuk kedai makanan dan kedai minumannya. Hakim perbicaraan membuat keputusan berpihak kepada plaintif dan memutuskan bahawa pelanggan-pelanggan yang biasa dengan cap dagang McDonald akan secara logik menganggap bahawa 'Mc' dalam restoran McCurry defendan adalah 'associated in some way to the plaintiff or was an entension of the plaintiff's current range of products and services'. Dalam membuat kesimpulan ini hakim perbicaraan telah kelihatan

dipengaruhi oleh keputusan dalam *In the Matter of an Application No 1412458 to register the Mark McIndians* (kes *McIndian*) yang melibatkan pendaftaran tanda McIndian dan yang memutuskan bahawa McIndian mungkin boleh mengakibatkan kekeliruan kerana serupa dengan cap sekeluarga McDonald's yang menggunakan kata awalan 'Mc'. Tidak berpuas hati dengan keputusan Mahkamah Tinggi, defendan meneruskan dengan rayuan ini. Isu utama untuk dipertimbangkan dalam rayuan ini adalah sama ada hakim perbicaraan telah secara kehakiman menghargai bukti-bukti apabila dia memutuskan bahawa penggunaan perkataan 'McCurry' oleh defendan adalah satu kelirupaan nama niaga plaintif di mana nama baik plaintif dihubungkan.

Diputuskan, membenarkan rayuan:

(1) Pertamanya, peragaan perniagaan defendan ialah dalam gaya dan penghiasan yang jelas berbeza dari yang digunakan oleh plaintif. Keduanya, jenis makanan yang terdapat di kedai-kedai makanan plaintif semuanya mempunyai kata awalan 'Mc' sementara tiada mana-mana makanan yang dihidangkan di kedai makanan defendan mempunyai kata awalan 'Mc'. Ketiganya jenis makanan yang terdapat di kedai makanan plaintif dan di restoran defendan adalah amat berbeza, di mana yang pertama menghidangkan makanan segera sementara yang kedua hanya menghidangkan makanan India biasa sahaja. Sehubungan itu kes ini adalah berbeza dari kes *McIndian* yang disandarkan oleh hakim perbicaraan. McIndian bukan sahaja menjual makanan India tetapi juga ayam goreng Selatan, burger keju, kentang goreng dan susu kocak yang mana merupakan makanan yang sama yang dijual oleh McDonald's. Dalam keadaan ini, peninggalan hakim bicara dalam membezakan fakta kes *McIndian* dari fakta kes ini menyebabkan suatu salah arah serius yang mengakibatkan suatu salah laksana keadilan. Keempatnya jenis pelanggan yang melanggan di kedai makanan plaintif adalah sangat berbeza daripada pelanggan yang makan di kedai makanan defendan. Oleh itu inferens yang tidak dapat dibendung daripada keseluruhan keterangan ialah bahawa papan tanda defendan tidak akan menyebabkan seseorang yang munasabah mengaitkan McCurry's dengan cap plaintif (lihat perenggan 12).

(2) Hakim perbicaraan telah khilaf dalam menganggap bahawa responden mempunyai monopoli dalam penggunaan kata awalan 'Mc' atas tanda atau dalam pengurusan bisnes. Fakta bahawa defendan telah memilih nama 'McCurry' boleh dengan sendirinya membawa kepada inferens bahawa ia cuba untuk mendapat suatu kelebihan yang tidak adil dari penggunaan kata awalan 'Mc'. Seperkara lagi defendan tidak menawarkan pelanggannya item-item yang dilabel sama ada sama atau

A serupa dengan item yang dijual oleh plaintif. Oleh itu hakim perbicaraan telah tersalah arah dirinya atas inferens wajar yang patut dibuat dari fakta-fakta yang diakui dan dibuktikan dan tidak ada pertimbangan kehakiman terhadap keterangan-keterangan yang paling mustahak (lihat perenggan 14–16).]

B

Notes

For cases on name of business, see 12 *Mallal's Digest*, (4th Ed, 2005 Reissue) paras 1651–1652.

C **Cases referred to**

Erven Warnink BV & Ors v Townend & Sons (Hull) Ltd & Ors [1979] 2 All ER 927, HL (refd)

In the Matter of an Application No 1412458 to register the Mark McIndians

McDonald's Corp v Future Enterprises Pte Ltd [2005] 1 SLR 177, CA (folld)

D *Mun Loong Co Sdn Bhd v Chai Tuck Kin* [1982] 1 MLJ 356, HC (folld)

Perry v Truefitt (1842) 49 ER 749 (refd)

Reckitt & Colman Products Ltd v Borden Inc [1990] 1 All ER 873, HL (refd)

Tattinger SA v Allbev Ltd [1993] FSR 641 (refd)

E *Yuen Yu Kwan Frank v McDonald's Corporation* (2001) WL 1422899 (dist)

Sri Dev Nair (Sri Dev & Naila) for the appellant.

S F Wong (S Indran with him) (Shearn Delamore) for the respondent.

Gopal Sri Ram JCA:

F

[1] Let me begin with the parties to this litigation. The plaintiff (respondent before us) is a fast food franchisor. It has outlets are all over the globe. Everyone knows or has heard of 'McDonalds'. There are several

G distinguishing marks or features about the way in which it conducts its trade. I will deal with these in a moment. The defendant (appellant before us) runs a fast food outlet. It is called 'Restoran McCurry or McCurry Restaurant'. It offers Indian and other Malaysian cuisine. It does not serve any of the kind of food available at the plaintiff's outlets. The plaintiff's complaint is that the

H defendant has passed off the plaintiff's business as its own. In its pleaded case it says that the defendant with full knowledge of the plaintiff's proprietary rights in the goodwill and reputation of its trade and business in food and beverages, conducted under the distinctive 'Mc' identifier, copied and adopted the identifier 'Mc' for its own food and beverages restaurant. In

I elaboration of its claim, the plaintiff has in its written argument before us cited several examples. They are, McChicken, McMuffin, McRendang, McValue meals, McNuggets, McCrispy, McEgg, McMonday, McTwist, McWings, McSausage, McSpaceship, McTeddy Bears, McCafe, McWatchables, McWednesday and McNews.

[2] The issue at trial was whether the defendant had passed off the plaintiff's business as its own. The learned judge held for the plaintiff. Her decision has been challenged in this appeal. But before I deal with the arguments addressed to us, it is necessary to say a few words about the cause of action relied upon by the plaintiff. It is based on the tort of passing off.

[3] Historically speaking, the starting point in a discussion of the tort is the judgment of Lord Langdale MR in *Perry v Truefitt* (1842) 49 ER 749. The Master of the Rolls formulated the tort in this way:

> A man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practice such a deception, nor, to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters or other indicia by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person. I own it does not seem to me that a man can acquire property merely in a name or mark; but whether he has or not a property in the name or the mark, I have no doubt that another person has not a right to use that name or mark for the purposes of deception, and in order to attract to himself that course of trade, or that custom, which, without that improper act, would have flowed to the person who first used, or who was alone in the habit of using the particular name or mark.

[4] Notice that the judgment speaks of passing off the goods of another. That is because the words were uttered when the tort was in an embryonic state, with commerce and industry at very basic levels. But the common law is not static. It does not rest upon a procrustean bed. It is organic. And flexible. It grows to meet changing conditions with dynamism. So, as the nature of trade and commerce developed, so did the tort. As persons found new ways committing 'theft' of intellectual property, the common law rose to the challenge. This was indeed recognised by Lord Diplock in the leading case of *Erven Warnink BV & Ors v Townend & Sons (Hull) Ltd & Ors* [1979] 2 All ER 927, who said:

> Unfair trading as a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill may take a variety of forms, to some of which separate labels have become attached in English law. Conspiracy to injure a person in his trade or business is one, slander of goods another, but the most protean is that which is generally and nowadays, perhaps misleadingly described as passing off. *The forms that unfair trading takes, will, alter with the ways in which trade is carried on and business reputation and goodwill acquired.* (Emphasis added.)

[5] The modern re-statement of the tort is to be found in the judgment of Sir Thomas Bingham MR in *Tattinger SA v Allbev Ltd* [1993] FSR 641:

A But it is now, as I understand, clear that the defendant need not, to be liable, misrepresent his goods to be those of the plaintiff if he misrepresents his goods or his business as being in some way connected or associated with the plaintiff's.

B **[6]** Learned counsel on both sides referred to the ingredients of the tort. They said that the tort comprises of five elements, all of which must be present for its proof. These are as follows:

(i) There must be a misrepresentation by the defendant;

C (ii) It must be made in the course of trade;

(iii) It must be made to prospective or ultimate customers;

(iv) It must be calculated to injure the goodwill and reputation of the plaintiff;

D (v) The plaintiff must suffer resultant damage.

Learned counsel for the plaintiff relied on the decision in *Erven Warnink* in support of his submission.

E **[7]** Learned counsel for the defendant referred us to *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, in particular to the speech of Lord Oliver when making his submission on the ingredients of the tort. This is what Lord Oliver said:

F The law of passing off can be summarised in one short general proposition, no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get up' (whether it consists G simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Second, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) H leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely on a particular brand name in purchasing goods of a particular description, it matters not at all that there I is little or no public awareness of the identity of the proprietor of the brand name. Third, he must demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.

[8] With great respect to the learned Law Lords whose speeches were read to us, I find myself in the unfortunate position of entertaining a view that differs from theirs. In my judgment, since passing off is a common law wrong, it is idle to speak of the ingredients of the tort in strict terms as though it was a creation of some penal statute. It is not. At the risk of repetition, it is a product of the genius of the common law. But, that said, the elements referred to in the two cases already cited are certainly the essential features of the tort in the sense in which it has always been understood. Put shortly, a defendant is liable if he injures the plaintiff by either passing off his goods or mark or business as that of the plaintiff's. And to pass off one as the other certainly involves the creation of a false impression which is referred to as the element of misrepresentation in the tort. For my part, I am content to rely upon and be guided by the following passage in the judgment of Mohamed Azmi J (later FCJ) in *Mun Loong Co Sdn Bhd v Chai Tuck Kin* [1982] 1 MLJ 356:

> At common law, it is an actionable tort for one person to represent his business to be that of another, or to mislead the public into believing that it is, because the person guilty of the deception thereby profits illegitimately from the goodwill which attaches to the other business. The commonest means by which this deception is practised is by the adoption of a business name which is calculated to cause the public to confuse the spurious business with the genuine one. If the spurious business is conducted by a company incorporated with a name likely to cause such confusion, the owner of the genuine business may obtain an injunction to restrain the company from trading in its own name or even continuing to have its own name. If the injunction takes the latter form, the company must either change its name or be wound up.

[9] That brings me to the question argued at length before us as to whether there exists the 'extended tort of passing off'. We were regaled with authorities on both sides in support of their rival submissions. It is clear that the defendant apprehends the point of origin of the so-called extended tort to be the speech of Lord Fraser of Tullybelton in *Erven Warnink*. It is the defendant's submission that Lord Fraser had held that the tort of passing off could be established without proof of a misrepresentation and that this was not the law. According to the defendant, the plaintiff succeeded in the court below on this extended form of the tort without having pleaded it. This is a point I will deal with in a moment. But I must first deal with the defendant's complaint that Lord Fraser was wrong in holding that a plaintiff could succeed without proof of misrepresentation when what is at issue is injury to goodwill.

[10] Now, here is what that learned Law Lord said:

> It is essential for the plaintiff in a passing-off action to show at least the following facts:
>
> (1) that his business consists of, or includes, selling in England a class of goods to which the particular trade name applies;
>
> (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods;
>
> (3) that because of the reputation of the goods there is goodwill attached to the name;
>
> (4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value;
>
> (5) that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached.

[11] I have read and re-read the speech of Lord Fraser and nowhere do I find in it any pronouncement dispensing with the proof of the element of misrepresentation. Indeed, it is manifestly clear from the passage above quoted that the misrepresentation by the defendant of his goods or business as that of the plaintiff's is an essential element of the tort. This is clear from the phrase 'falsely described'. It is elementary that to falsely describe is to misrepresent. I am therefore inclined to agree with the submission of counsel for the plaintiff that the so-called extended tort is nothing more than the common law adapting the tort of passing off to new and different circumstances. And, as for the pleading point, there is really nothing in it at all. In the first place the plaintiff has in its statement of claim pleaded all the facts that go to constitute the elements of the tort. In the second place, whether the plaintiff may rely on the so called extended form of the tort is a question of law and it is well settled that you do not have to plead law.

[12] I come now to what I consider to be the nub of the case. It is whether the learned judge judicially appreciated the evidence before her in holding that the defendant had committed the tort against the plaintiff. From the way in which the plaintiff ran its case in the court below and when responding to the appeal, the only point that survives is whether the use by the defendant of the word 'McCurry' amounts to a passing off by it of the plaintiff's trade name to which goodwill is attached. Put differently, the question is: Did the defendant represent his business to be that of the plaintiff? Having scrutinised

the evidence presented to the learned trial judge, I have come to the conclusion that the question must receive a negative response. And I will explain why.

[13] First, you have to look at the plaintiff's mark or get-up or logo — call it what you will — as a whole and not merely one element in it. The plaintiff's get-up consists of a distinctive golden arched 'M' with the word 'McDonalds' against a red background. The defendant's signboard carries the words 'Restoran McCurry' with the lettering in white and grey on a red background with a picture of a chicken giving a double thumbs up and with the wording 'Malaysian Chicken Curry'. Thus, the defendant's presentation of its business is in a style and get up which is distinctively different from that of the plaintiff. Second, as I have already said, the items of food available at the plaintiff's outlets all carry the prefix 'Mc'. However, as evident from the defendant's menu card none of the food items served carries the prefix Mc. This is an important consideration. Third, it is beyond dispute that the type of food available at the plaintiff's outlets is very different from that served at the defendant's sole outlet. The latter caters only typically Indian food whereas the former serves fast food. This is an important point in the defendant's favour. The learned trial judge in her judgment appears to have been influenced by the decision of the hearing officer in the United Kingdom Trade Mark Registry, in the *In the Matter of an Application No 1412458 to register the Mark McIndians* by Sabbir Mehta, Osman Mehta, Imtiaz Ahmed Mulla and Hanif Patel to register the mark McIndian. There, the hearing officer found for McDonalds on the ground that McIndian could be confusingly similar to the McDonald's family of marks all employing the prefix 'Mc'. However, what the learned trial judge in the present instance appears to have overlooked is the fact that McIndian not only sold Indian food, but also Southern fried chicken, cheeseburgers, French fries and shakes which are the very items that McDonalds also sell. This point is well brought out by the Singapore Court of Appeal in *McDonald's Corp v Future Enterprises Pte Ltd* [2005] 1 SLR 177 when distinguishing the *McIndian* case from *Yuen Yu Kwan Frank v McDonald's Corporation* (2001) WL 1422899 where the court disregarded the objection of McDonald's and allowed the registration of the mark 'McChina'. In my judgment, the learned judge's omission to distinguish the facts of the *McIndian case* from the present instance constitutes a serious misdirection which has resulted in a miscarriage of justice. The fourth, point I would make is this. There is evidence to show that the type of customers who patronise the defendant's outlet is very different from those who patronise the plaintiff's several outlets. The former are in the main adults and senior citizens while the latter are mainly children. In my judgment the irresistible inference to be drawn from the totality of the evidence is that the defendant's signboard would not result in reasonable persons associating McCurry with the plaintiff's mark. The one is a typically

Indian restaurant selling indian and local dishes with just its one outlet while the other is a multinational vendor of fast food such as burgers, French fries and milkshakes.

[14] In the course of her judgment the learned judge made the following observations on which comment is necessary:

> [56] When 'Mc' is used in conjunction with a food item, the first impression or the first thing that comes to mind is McDonald's and the plaintiff. Any unauthorised use of the prefix 'Mc' could also lead to the conclusion that the products sold and the services offered with reference to the said prefix are an extension of the plaintiff's family of mark consequently creating an association with the plaintiff.
>
> [57] Customers familiar with the McDonald's trademark and corporate signage and the products found in the McDonald's outlets would only logically assume that 'Mc' in McCurry restaurant is associated in some way to the plaintiff or is an extension of the plaintiff's current range of products and services. It is also not a coincidence that the defendant would have picked the font and colour scheme on its signage without referring to the signage and repute of the plaintiff. I am of the view that this shows that the defendant seeks to obtain an unfair advantage from the usage of the prefix.

[15] In the first place, the learned judge's finding is postulated on the fact that the defendant used the prefix 'Mc' — to quote her — 'is used in conjunction with a food item'. But the facts show that the defendant did not use the prefix 'Mc' in conjunction with a food item. Indeed, as I have already said, the food items the defendant offers its customers are wholly different from those offered by the plaintiff. Where the learned judge, with respect, erred is to assume that the respondent had a monopoly in the use of the prefix 'Mc' on a signage or in the conduct of business. If in *Yuen Yu Kwan Frank v McDonald's Corporation* a restaurant could carry on a restaurant named 'McChina' selling only Chinese food, it is a little difficult to fathom the logic of restraining the instant appellant from selling only Indian food under the signage 'McCurry'. Given the totality of the circumstances of this case, the finding by the learned judge that the continued use by the appellant of the signage 'McCurry' would — again to quote her — 'lead to the conclusion that the products sold and the services offered with reference to the said prefix are an extension of the plaintiff's family of mark consequently creating an association with the plaintiff' is a serious misdirection on the facts.

[16] With regard to the finding of the learned judge at para 57 of her judgment (above quoted), the fact that the defendant chose the name

'McCurry' cannot by itself lead to the inference that it sought to obtain an unfair advantage from the usage of the prefix 'Mc'. It would have been different if the defendant had offered to its customers items that were labelled either the same as or similar to those sold by the plaintiff, for example, Mcfish or Mclamb. But that is not what the defendant did. Accordingly, it is my considered judgment that the learned judge misdirected herself on the proper inferences to be drawn from proved and admitted facts.

[17] In my judgment, a reasonable tribunal armed with the facts and evidence that was presented to the learned judge would have held for the defendant and against the plaintiff. This is because there was, in my respectful view, no proof of the tort of passing off in this case. And there was no judicial appreciation of the most important pieces of the evidence presented at trial.

[18] For the reasons already given, I would allow the appeal and reverse the findings of the learned judge. The plaintiff's claim is dismissed. The costs of this appeal and those incurred in the court below shall be borne by the plaintiff. The deposit shall be refunded to the defendant.

[19] My learned sister Heliliah bt Mohd Yusof and my learned brother Sulong Matjeraie JJCA have seen this judgment in draft and have expressed their agreement with it.

Appeal allowed with costs.

Reported by K Nesan